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S E C R E T SECTION 01 OF 02 IRAN RPO DUBAI 000042

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SUBJECT: IRANIAN BUSINESS IN DUBAI: A BLESSING AND A CURSE

REF: A.)RPO DUBAI 0041; B.) RPO DUBAI 0035

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CLASSIFIED BY: Jillian Burns, Director, Iran Regional Presence Office, Department of State.

REASON: 1.4 (d)

1.(C) Summary: Dubai is one of the main centers of the Iranian diaspora both in terms of sheer numbers and presence in the business community. Iranian immigrants, both those who came before and after the Islamic Revolution, have played a significant role in Dubai's economic success, according to Emirati and Iranian contacts. Dubai continues to be receptive to Iranian expatriates, who work in all fields of business. However, bilateral tensions and growing international pressure on Iran have brought complications for the business community in Dubai. End summary.

2.(C) Iranians, mostly merchants, were among the first foreigners to set up business in the UAE, according to the Dubai Chamber of Commerce and Industry (DCCI). The Dubai market has been primarily oriented toward Iran since the 1950s when Iran had the region's most dynamic economy. Dubai Ruler Sheikh Rashid offered these Iranians incentives such as free land, personal protection, and exemption from import and export duties. With Iran's economic downturn and political isolation after the Islamic Revolution of 1979, Dubai has continued to play a critical role as a re-export hub for Iran. This cable focuses on Iran's business presence in the UAE; a sociological look at the diaspora community is reported septel.

3.(U) Situated less than 100 miles across the Persian Gulf, the UAE is Iran's largest trading partner. Dubai in particular serves as an outlet for Tehran's business with the outside world, with goods going back and forth on large ships and traditional dhows. The DCCI claims that in 2006, Dubai-Iran non-oil trade was worth about \$8 billion (presumably including both exports and re-exports, although the source does not clarify) while total Iran-Dubai trade exchanges amounted to about \$11 billion. As reported in local press, the Iranian consulate in Dubai stated that UAE-wide exports and re-exports to Iran totaled \$7 billion in 2006, and Iranian exports to the UAE \$3 billion, expected to increase to \$3.5 billion in 2007. The article cites the Iranian commercial attachi saying that Iran exports machinery and heavy equipment, fruits and vegetables, processed food, building materials, and

petrochemical products to the UAE. At the end of 2006, accumulated assets of Iranians in Dubai were estimated at \$300 billion, according to Iranian government-run news agency ISNA.

Prominent Iranians in Dubai

4.(C//NF) Many Iranian business families in Dubai have achieved prominent status, but it is the older expats who are best known to the general community, even though they are now Emirati citizens. Some have crossed over into the UAE government, including cabinet positions. Influential Iranian families, such as Galadari, Gargash, Al Aqili, and Rafiqdost own multiple businesses and investments, and exemplify the business opportunities available in Dubai. The Galadari family, although now suffering some setbacks (as evidenced by the Dubai government assuming control over their newspaper, the Khaleej Times) has a long history of enterprise and commercial activity dating from the 1940s. Originally from the city of Galadar in Iran, the three Galadari brothers built some of Dubai's first modern hotels, including the Intercontinental and Hyatt Regency in the mid-1970s, and one of Dubai's major roundabouts is named after Abdul Wahab Galadari, based on the location of his landmark car dealership, "Galadari Motors." Abdul Wahab Galadari also founded the Gulf Times Newspaper and one of his sons was the editor of Khaleej Times. Today, another one of the Galadari sons, Issam, is the managing director of Emaar International Developers, which is building Burj Dubai, planned to be the world's new tallest skyscraper. Also, big families such as Al Aqili have significant trade ties to the US and to Iran, although Al Aqili has reportedly suffered setbacks in its investments in Iran (ref A).

Scattered in all fields

5.(C//NF) Today, Iranians in Dubai are engaged in a wide range of business activities in Dubai and do not seem to be concentrated in specific business sectors. The Iranian

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government has a trade center in Dubai that holds international business gatherings, and the independent Iranian Business Council (IBC) operates to promote local Iranian businesses. According to a January 2007 Middle East Online article, the DCCI said 8,050 Iranian companies are registered in Dubai, while the Iranian Business Council puts the numbers closer to 10,000. (Note: Businesses in Dubai outside of free zones need to be at least 51% locally owned; inside free zones can be 100% foreign owned. End note.) Other Iranians work as teachers, professors, bank officials, and doctors. Many local police are Emiratis of southern Iranian/Baluchi origin. For example, probably a quarter of the rotating group of police at the Dubai World Trade Center building, the Consulate General's location, speak a Lari dialect of Farsi, some through their heritage. Also, some older Emiratis speak limited Farsi from the old days when Farsi was the language of the local bazaar.

Iranian government interest

6.(C//NF) The Iranian government has two major areas of interest regarding the Iranian Dubai business community: reversing capital outflow from Iran to redirect investment into Iran and keeping economic links open between the two countries, particularly as the threat of additional sanctions rise. Iranian government officials reportedly pay regular visits to Dubai, although it is difficult to ascertain if the pace has picked up in recent years. The headliner was, of course, President Ahmadinejad's May 13, 2007 visit to Dubai, which was the first visit by an Iranian head of government since UAE unification. While his private meeting with business people was reportedly attended by prominent names, a source claimed he said little of substance. We also heard that few from the established Iranian community in Dubai attended his large rally at the Iranian Club's soccer stadium (ref B).

7.(S//NF) In addition to the president, the Iranian Minister of Commerce and the head of the Central Bank have reportedly visited Dubai recently. According to press reports, the Minister of Commerce attended a recent IBC meeting and promised to take steps to ease UAE-Iran trade in response to member requests. Contacts have indicated to IRPoffs that the Iranian government is attempting to exercise greater influence over the IBC.

8.(C//NF) As a sign of the importance both countries ascribe to their relationship, Iran recently appointed one of its highest profile diplomats, former Foreign Ministry spokesman and Deputy Foreign Minister, Hamid Reza Asefi, as its Ambassador to the UAE.

9.(C//NF) The Iranian Consul General to Dubai reportedly holds regular meetings with the sheikhs of Dubai on trade relations. At a recent "VIP Day" to promote the Ras al Khaimah Free Trade Zone (RAKFTZ) to the consulate and corporate communities, Poleconoff observed the Iranian Consul General being personally shepherded from site to site by RAKFTZ chairman Sheikh Faisal and RAKFTZ CEO Oussama el Omari and being seated to the sheikh's immediate right.

10.(S//NF) Comment: Dubai's relatively free business environment and less restrictive social atmosphere continues to attract Iranians, who already make up roughly 10% of the UAE population. Also, the ease of transporting goods to Iran from Dubai provides a critical supply line for Iranian imports of goods and services, including those - Iranian and other - who wish to skirt US sanctions and UN resolutions. The image of Ahmadi-Nejad landing in the UAE in May as Vice President Cheney departed exemplifies the difficulty the UAE faces in managing its relationships with those two countries, both impossible to ignore. End comment.

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